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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000155

SIPDIS

STATE FOR NEA, OES, IO AND L; GENEVA FOR LEGAL ADVISER;
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TAGS: [SENV](#) [EPET](#) [PREL](#) [EINV](#) [PGOV](#) [KU](#) [IZ](#)

SUBJECT: UNCC VISITS KUWAIT; OIL LAKES LINGER 18 YEARS
AFTER LIBERATION

REF: A. KUWAIT 147

[1](#)B. 08 KUWAIT 112

Classified By: Econcouns Oliver John for reasons 1.4 (b) and (d)

[1](#)1. (C) KEY POINTS:

-- A UN Compensation Commission Governing Council (GC) delegation including USG representatives visited Kuwait February 16-20 undertook its first visit to Kuwait, focusing on environmental remediation projects relating to Iraq's destruction of oil infrastructure in 1991.

-- To date, the GOK has received \$1.4 billion of the \$2.9 billion awarded from the UNCC for large-scale environmental remediation programs. Project planning remains in early stages and it appears that Kuwait may have difficulty proposed detailed, phased project plans to the GC in time for its April meeting.

-- A Kuwait Environmental Remediation Projects (KERP) contract awarded eight months ago to a U.S. consortium, Hill International, for project planning services has fallen prey to GOK political intrigue, likely triggered by a rival bidder's manipulation (reftel A). Future KERP projects will probably face similar delays.

-- Ambassador conveyed USG concern about the fate of the Hill International contract to the new Oil Minister during his meeting with the GC February 17.

-- Other Iraqi UNCC obligations to GOK total \$24 billion and are subject to bilateral talks.

[1](#)2. (SBU) A delegation representing the UNCC's Governing Council visited Kuwait 16-20 February to meet with GOK leaders and to inspect sites affected by the Iraqi military's destruction of oil sector infrastructure in 1991. The visit of the GC, which comprises the 15 members of the UN Security Council (UNSC), was focused on the GOK's proposed USD 2.9 billion environmental remediation program (KERP), to be funded from the UN Compensation Fund (into which the Government of Iraq is currently obliged to pay 5% of its oil revenues). To date, Kuwait has received \$1.4 billion from the UNCC towards KERP. The GC delegation met with the Amir, the Crown Prince and the new Oil Minister, who was appointed last week. The GC delegation visited Kuwait Oil Company (KOC) property afflicted by oil lakes, as well as Wadi Al-Butin in southwest Kuwait.

AMIR HOLDS FIRM ON IRAQ'S UNCC OBLIGATIONS

¶3. (C) During his session with the GC February 17, the Amir stated that, while the GOK "does not intend to harm Iraq," he believes that the GOI must abide by the UNSC-mandated UNCC awards, including those pertaining to environmental remediation. The Amir repeated several times words to the effect that what you see will speak for itself. He said that his Government is willing to sit down with the GOI to discuss Iraq's outstanding \$24 billion UNCC obligations to Kuwait but maintained that the UNCC process and decisions should be respected. (Note: these comments are consistent with statements made by a senior MFA official to the CDA in January 2008 (reftel B). End Note).

¶4. (C) The new Oil Minister, Shaykh Ahmed Al-Abdullah Al-Ahmed Al-Sabah, emphasized to the GC February 17 that its members had his personal commitment that he would stay involved in the KERP and would ensure that UNCC environmental remediation funds would be spent in full accordance with UN procedures. Ambassador explained to Shaykh Ahmed that an American-led consortium had been awarded the project planning contract for the KERP eight months earlier and that the USG was concerned about the lack of progress vis-a-vis contract finalization and commencement of planning work (reftel A). Ambassador also iterated the USG's keen desire for closer GOK-GOI cooperation in all spheres.

384 SQ KM AFFECTED BY OIL LAKES

¶5. (C) The GC met with KOC executives February 18, prior to a tour of oil lakes in the Burgan oil field. The KOC officials said that a total of 384 squared kilometers of KOC property

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had been adversely impacted by the Iraqi military's 1991 destruction of oil infrastructure, with oil lakes accounting for most of the damage. KOC has long-standing plans for abatement of the oil lakes, which, the KOC executives emphasized, would allow the oil company to resume or commence drilling in a number of areas in the Burgan Field.

¶6. (C) The KOC officials told the GC that contracting for the multi-billion dollar remediation program would follow standard KOC and GOK procedures. When asked which GOK/KOC official would give the final approval for any such contracts, a senior official from the Public Authority for Assessment of Compensation (PAAC) stated that a decision had not been made and that the new Oil Minister would determine the process.

¶7. (C) Two HSE (health, safety and environment) officials from KOC told Econoff that KOC had hoped to commence work on abating the oil lakes in the 1990s but the Ministry of Oil had decreed that the oil company should wait for the UNCC claims process to take its course. During the tour of the Burgan field oil lakes, KOC officials said that KOC/GOK had undertaken almost no remediation projects vis-a-vis the oil lakes, which are now over 18 years old.

COMMENT

¶8. (C) The Amir's meeting with the GC demonstrates the importance the GOK attaches to Iraq's unpaid UNCC obligations. However, meaningful mitigation of Iraqi environmental vandalism in 1991 is certainly less of a priority for the Government, which has done little on its own to remediate the effects of the oil lakes in the past 18 years. KERP projects could fall prey to the same multi-year contracting process and controversies affecting other oil sector programs in Kuwait (e.g., the Fourth Refinery at Al-Zour, originally planned for the 1990s). The eight-month (and counting) delay in approving the Hill International contract does not bode well for the tender process for the bulk of the multi-billion dollar KERP activities. The GOK is expected to submit proposal for phased projects to the UNCC's

Geneva-based secretariat for GC approval in April, which may prompt GOK decision making on the KERP contracting process. Discussions on the margins of the GC delegation's visit to Kuwait suggested, however, that Kuwait will face challenges in proposing detailed projects by April. Post will work with GOK and oil sector contacts to encourage progress; Ambassador will raise the issue with the Oil Minister in an introductory call planned in the near future. END COMMENT.

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JONES